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THE SITUATION IN THE MIDDLE EAST
ASSISTANCE IN MINE CLEARANCE
QUESTION OF PALESTINE
IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990S
IMPLEMENTATION OF THE OUTCOME OF THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT
RESTRUCTURING AND REVITALIZATION OF THE UNITED NATIONS IN THE ECONOMIC, SOCIAL AND RELATED FIELDS
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REPORT OF THE INTERNATIONAL TRIBUNAL FOR THE PROSECUTION OF PERSONS RESPONSIBLE FOR SERIOUS VIOLATIONS OF INTERNATIONAL HUMANITARIAN LAW COMMITTED IN THE TERRITORY OF THE FORMER YUGOSLAVIA SINCE 1991

SECURITY COUNCIL
Fifty-first year

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THE SITUATION IN BOSNIA AND
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MEASURES TO ELIMINATE INTERNATIONAL
TERRORISM

Letter dated 5 July 1996 from the Permanent Representative of France to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the final documents, in French and English, of the G-7 Summit held at Lyon from 27 to 29 June 1996. They consist of the Chairman's statement, the economic communiqué, the finance ministers' report on international monetary stability, decisions concerning Bosnia and Herzegovina and the Declaration on Terrorism.

I should be grateful if you could arrange to have the text of the present letter and its annexes circulated as a document of the General Assembly under items 21, 33, 34, 35, 44, 45, 46, 48, 50, 56, 60, 66, 71, 96, 97, 98, 99, 101, 103, 104, 105, 113, 115, 116, 118 and 154 of the preliminary list, and of the Security Council.

(Signed) Alain DEJAMMET

Annex I

LYON SUMMIT

CHAIRMAN'S STATEMENT

Lyon, 29 June 1996

TOWARD GREATER SECURITY AND STABILITY IN A MORE COOPERATIVE WORLD

We, the Participants in the Lyon Summit, discussed the opportunities and challenges facing us as we near the 21st century. We agreed that we now have tremendous opportunities to make the most of this historic moment to achieve security and stability around the globe, although we still need to cope with the many challenges which require a wide range of international cooperation at both regional and global levels. We discussed how we could build a better international system to secure security and stability. We recognized that we must first work to reduce tensions and resolve conflicts. We also concurred that enduring security and stability is possible only when it is founded on the basic requirements of respect for human rights, establishment of democratic institutions and individual citizen's security, and realization of sustainable development and economic prosperity. In an increasingly inter-dependent and inter-active world with rapid globalization in progress, we renewed our determination to work together amongst us and in partnership with leaders of other countries to make the most of the opportunities and to meet the challenges.

I. Global issues

Major issues need to be treated at a global level. All countries are liable to benefit from more security provided by a strengthened United Nations Organization and by progress made in the field of non-proliferation, arms control and disarmament as well as by an efficient struggle against terrorism and transnational organized crime. All countries benefit from the enhancement of democracy and fundamental freedoms throughout the world. Protection of environment, nuclear safety and new types of epidemics are common challenges that must be properly handled. All countries are interested in seizing the opportunities provided by the information technologies. In this regard, we are committed to cooperate actively among ourselves and with other partners to deal with these global issues in a spirit of efficacy and solidarity.

1 United Nations

We reaffirm our commitment to the Charter of the United Nations (UN). As many Heads of State and Government noted in the special commemorative meeting of the UN General Assembly on the occasion of the 50th anniversary of the entry into force of the Charter, the UN is called upon to play an increasing role as the 21st century approaches. We continue to regard the United Nations as the cornerstone of an international system whose success or failure is increasingly significant for human security, including development within countries and partnership among countries. We are committed to achieving early and practical results in the renewal of the UN so that, for both individuals and countries, it can more readily and effectively respond to the demands placed on it, and more clearly demonstrate its importance to the search for solutions to our globally shared problems.

In order to enable the United Nations to fully meet its challenges, we are convinced of the need to make progress towards revitalizing, strengthening and reforming the UN system. We undertake to intensify our role in the work of the high level and working groups set up by the General Assembly for this purpose in order to help ensure the balanced, timely and effective outcome of their efforts. We will work with other Members throughout the UN system to accomplish this goal.

Conscious of the risks that the present financial crisis poses to the United Nations' ability to function, we are

resolved to promote in parallel and as soon as possible a long-term solution based on the adoption of a more equitable scale of contributions, on scrupulous respect by Member States for their financial obligations, and on the payment of arrears.

The United Nations is and must remain the body primarily responsible for international peace and security in accordance with the mission assigned to it in the Organization's Charter. It is important to develop its ability to act more quickly and effectively to address threats to international peace and security. It is essential, also, that Member States shoulder in full the responsibilities incumbent on them within the UN framework.

We emphasize the importance of promoting conditions conducive to peace as the surest means to prevent conflict. We support development of more flexible instruments for peace, including mediation by elder statesmen and United Nations representatives. We are encouraged by the notable successes of current peacekeeping missions in Haiti (UNMIH) and Bosnia (IFOR). We note the central responsibility that the parties themselves bear for the ending of conflict and the re-establishment of peace and stability. We favour strengthening the United Nations' capacity for rapid deployment by further developing the stand-by arrangements initiative and the rapidly deployable headquarters team, as well as other efforts to enhance the Secretariat's ability to deploy new peacekeeping operations quickly and manage existing ones effectively. We applaud the efforts of the international community to assist countries devastated by conflict as they rebuild their societies : these measures are making a decisive contribution to the establishment of lasting peace. We welcome the contribution made, in accordance with the UN Charter, by regional organizations and arrangements to international stability, and the development of their cooperation with the United Nations.

2. Human rights, democratic processes and humanitarian emergencies

We restate our firm commitment to the universality of all human rights and fundamental freedoms, the promotion and protection of which are a legitimate concern of the international community. We condemn all forms of discrimination and intolerance, including aggressive nationalism and the mistreatment of persons belonging to minorities.

With that in mind, we commit ourselves to ensuring that this understanding continues to guide our policies. We also reaffirm our support for the High Commissioner for Human Rights as coordinator of human rights within the United Nations system and commend his contribution in the fields of early warning, conflict prevention and peacebuilding. We will take care to ensure that women as well as men benefit fully and equally from the recognition of human right and fundamental freedoms, which were reiterated on the occasion of the Beijing Conference, and that the rights of children be respected.

We support fully the efforts of the International Tribunals aimed at the prosecution and trial of persons indicted for serious violations of human rights in the Former Yugoslavia and in Rwanda and commit ourselves to making available to the Tribunals adequate resources for the fulfillment of their mandates. At the same time, we deeply deplore any non-cooperation with the Tribunals, in particular the failure to arrest and surrender indicted persons, and we urge all parties to fulfill their commitment to cooperate.

All over the world, we actively support the process of democratization, which is an essential guarantee of respect for human rights. We will provide assistance in the organization of free and impartial elections and in strengthening democratic institutions and standards. International assistance, including from Non-Governmental Organizations, for democratic development should also contribute to the strengthening of free media, support for the rule of law, accountable public institutions (including police training) and a broader civil society.

Humanitarian emergencies, which are frequently the outcome of political crises, are a matter of special concern to us. We commend in particular work of the ICRC, UN HCR, WFP, UNICEF and others in this field. We are firmly determined to continue to provide assistance to populations in need, and we call for the coordination and rationalization of efforts in order to provide assistance more effectively.

3. Non-proliferation, arms control and disarmament

We affirm our undertaking to conclude a Comprehensive Test Ban Treaty (CTBT) so as to enable its signature by the outset of the 51st session of the General Assembly of the United Nations, this coming September. We call upon all the members of the Conference on Disarmament to agree that the CTBT must prohibit any nuclear weapon test explosion or any other nuclear explosion. Pending the entry into force of the CTBT, the Nuclear Weapon States should exercise utmost restraint.

Such a treaty, in our view, will be a major step in the accomplishment of a priority goal for the international community in the field of disarmament and non-proliferation and the implementation of the obligations contained in Article VI of the Non-Proliferation Treaty (NPT). We reaffirm our commitment to the objectives set out in the document on Principles and Objectives for Nuclear Non-Proliferation and Disarmament adopted on 11 May 1995 at the conclusion of the NPT Review and Extension Conference. We are determined to contribute to the effectiveness of the strengthened NPT review process before the next Review Conference in 2000, the first preparatory committee for which will meet in 1997.

In the same spirit, we take note of the signature by the Southeast Asian States in December 1995, in Bangkok, of the Treaty establishing a nuclear weapon free zone in Southeast Asia, and welcome the signature by China, France, Russia, the United Kingdom and the United States of the protocols to the Treaty of Rarotonga establishing a nuclear weapon free zone in the South-Pacific as well as the signature on April 11, by Member States of the Organization fo African Unity, of the Treaty of Pelindaba establishing a nuclear weapon free zone in Africa, and of its relevant Protocols by the United States, France, the United Kingdom and China. The establishment of these new nuclear weapon free zones and the cooperation of Nuclear Weapon States in supporting the relevant protocols helps realize the objective of creating additional such zones by the NPT Review Conference in 2000.

We further underline the importance that we attach to the early start of negotiations, based on the agreed mandate within the Conference on Disarmament, on a treaty to ban the production of fissile material for nuclear weapons or other explosive devices. We look forward to the early entry into force of the START II Treaty. We regard the ABM Treaty as a cornerstone of strategic stability.

We reiterate the importance we attach to the entry into force of the Convention on Chemical Weapons. We will continue to work hard to implement the Convention on Prohibition of Biological and Toxin Weapons, including the establishment of an effective verification mechanism. We also expect the early entry into force of the Treaty on Open Skies, which represents an unprecedented confidence-building measure from Vancouver to Vladivostok.

We are increasingly concerned with the proliferation of conventional weapons and the thousands of resulting deaths and injuries, especially to civilians and particularly children. We welcome the outcome of the Review Conference on the 1980 Conventional Weapons Convention. We are pleased that this first Review Conference reached consensus on a new laser weapons protocol as well as a strengthened protocol on mines, booby-traps and other devices. We call upon all States to spare no effort in securing a global ban on the scourge represented by the proliferation and the indiscriminate use of anti-personnel landmines and welcome the moratoria and bans already adopted by a number of countries on the production, use and export of these weapons, unilateral reductions in stockpiles as well as initiative to address this urgent problem.

We assert the importance of reinforcing international support for landmine detection and removal efforts and for assistance to victims.

We again call upon all countries to support the continuing operation of the United Nations Register of Conventional Arms which represents an important mechanism for promoting transparency and building confidence among countries, at a global and regional level, and note that Article 26 of the UN Charter calls for "the least diversion for armaments of the world's human and economic resources". Regional organizations can help promote transparency

and confidence-building measures that reduce excessive stockpiling of conventional weapons. We welcome with satisfaction the arrangement launched at Wassenaar in December 1995 to promote transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies and will cooperate on its prompt and full implementation. We welcome the results of the first Review Conference of the Treaty on Conventional armed Forces in Europe (CFE). The States Parties on that occasion renewed their commitment to ensure the integrity of the treaty and to fulfill all of its obligations. They committed themselves to launch a process of adaptation of the treaty in order to preserve its viability in the future. We salute the cooperative resolution of the CFE flank issue.

4. Nuclear safety and securtty

We welcome with satisfaction the substantial progress made in the field of nuclear safety and security at the Moscow Summit in April of this year.

We have taken an important step toward enhancing international cooperation so that the use of nuclear energy is conducted all over the world consistently with fundamental principles of nuclear safety. We reaffirm our commitment, made in Moscow, to the highest internationally recognized nuclear safety level. In this regard, we underline that nuclear safety has to prevail over all other considerations. We reaffirm our commitment to all the principles laid down in the Convention on Nuclear Safety and we urge all countries to ratify this Convention, as soon as possible, and to participate in the peer review mechanisms. We stress the necessity of further progress in the establishment of relevant domestic legislation and in the enhancement of the international regime of nuclear liability as well as in the preparation of an international convention on the safety of radioactive waste management. We remain committed to assisting countries in transition in developing efficient and fully safety-oriented energy policies.

We welcome the adoption of the program for preventing and combating illicit trafficking in nuclear materials, and strongly urge other States to associate themselves with this plan following the example of Ukraine. We reaffirm the need to strengthen measures to ensure nuclear material accounting, control and physical protection. We also acknowledge the need to identify appropriate strategies for the management of fissile material no longer required for defense purposes. The latter will be discussed on the occasion of a meeting of experts which will take place in Paris in October this year. We support the efforts of the Nuclear Weapon States to ensure that sensitive nuclear material (separated plutonium and highly enriched uranium) designated as not intended for use for meeting defense requirements be placed under IAEA safeguards.

In order to ensure rapid and efficient follow-up of the decisions regarding non-proliferation issues adopted at the Moscow Summit, we have taken the following initiatives :

. on our behalf, France will undertake demarches in order to encourage more countries to adopt the "Programme for preventing and combatting illicit trafficking in nuclear material" ;

. a meeting dedicated to the implementation of this Programme, with the participation of agencies and ministries involved in the prevention and fight against illicit trafficking will be held as soon as possible.

We call upon all States to contribute to the efficient and effective implementation of measures for the strengthened safeguards system proposed by the " Program 93+2 " for which a model protocol is being further elaborated by the open-ended committee of the AIEA-Board of Governors. This program is making an essential contribution to tighter regulation of nuclear non-proliferation. This program will help avoid a repeat of any situation where a country under full-scope safeguards could carry out undeclared nuclear activities.

5. Environment

Protecting the environment is crucial in promoting sustainable development. In view of the threats such as global

warming, desertification, deforestation, depleting resources and threatened species, and unsustainable urban development, we place top priority on integrating environmental protection more completely into all of our policies. We are exploring the possibility of supplementing our national income accounts to better measure resources, such as forests, minerals and fish, and the economic value of air, water and soil quality. We welcome the great potential of the environment protection industry which can have positive effects on long term economic growth and employment.

1997 will be a pivotal year for the environment. We renew our commitment to all agreements reached at Rio, and pledge to work for a successful outcome of the 1997 special session of the United Nations General Assembly which would lead to their better implementation. We commit ourselves to strong action and anticipate in 1997:

-a successful outcome of the Conference of the Parties to the Climate Change Convention;

-agreement on actions to promote sustainable management of forests, including appropriate implementing arrangements or instruments;

-the negotiation of a global, legally binding instrument on particular persistent organic pollutants (POPs);

-the speedy implementation of the Convention on Biological Diversity and the Convention on Desertification.

It is important to ensure adherence to environmental agreements. International crime in areas such as illegal trade in CFCs, endangered species and hazardous waste is of particular concern. We will assess compliance with international environmental agreements and consider options for enhancing compliance.

We want to see greater effectiveness on the part of the international institutions responsible for the environment and sustainable development. In particular, we want to see the political role of the Commission on Sustainable Development (CSD) confirmed among UN institutions: the CSD should serve as a high-level political forum, working with the UN's economic agencies and the Bretton Woods financial institutions, invested with the task of promoting the implementation of Agenda 21 at the global, regional and national level, of identifying emerging issues and gaps in it, and ensuring a common understanding of the concept of sustainable development.

We need a more precise distribution of roles between the CSD and UNEP. UNEP should be clearly confirmed in its catalytic role as the environment voice of the UN, responsible for environmental policy development and scientific analysis and monitoring assessment. We support present efforts to restructure UNEP and its governing bodies.

People should be the focus of our policies. Human health is sometimes being jeopardized by the deterioration of the environment. Where there are threats of serious or irreversible damage, we endorse measures based on sound science and the precautionary principle.

6. The information society

We welcome the Chair's conclusion of the Information Society and Development Conference in Midrand (South Africa) which represents an important step to ensuring that all countries benefit from technological change.

Information and communication technologies and services offer a significant contribution towards the promotion of sustainable development in all countries. They have important potential to meet basic human needs, develop human resources, promote economic growth, encourage participatory democracy and a free media. They should promote cultural and linguistic diversity, as well as dynamic competition.

We look forward to a rapid conclusion to the negotiations being conducted in the relevant multilateral fora. We encourage full cooperation among countries, existing international and non-governmental organizations for the

promotion of projects demonstrating their use of information and communication technology. We are committed to fostering partnership between the public and the private actor.

We call for a cooperative approach which will promote universal access to such technologies. We stress the importance of an adequate protection of intellectual property rights. We are prepared to reflect on ethical and criminal issues raised by worldwide communication networks. We will support public and private efforts to increase the use of information and communication technologies for development and encourage international organizations to assess the appropriate role which they can play.

7. The "human frontier science program"

We applaud the results of the "Human Frontier Science Program" since its launch in Venice in 1987, and we await with interest the outcome of the intergovernmental Conference on further progress on this subject in Autumn 1996.

8. Infectous diseases

Infectious diseases such as HIV/AIDS, malaria, cholera, ebola, and antibiotic resistant strains of tuberculosis and pneumonia pose an unacceptable threat to people of all nations, disproportionately affecting the populations of the poorest nations. We endorse the creation and implementation of mechanisms to aid in the prevention, detection, surveillance and response to the emergence and re-emergence of communicable diseases. We reiterate our call for the extension of all forms of cooperation in the realms of research, prevention, accessible and affordable health care services and diagnostics in the treatment and control of these diseases.

We draw attention to the measures already undertaken in each of our countries to encourage the scientific community in its search for remedies to these diseases. We pledge to pursue this effort at the national level, while at the same time promoting international cooperation among research teams in this field.

Moreover, we will continue to extend various kinds of assistance programs, in particular for the benefit of the countries hardest hit by HIV/AIDS and other infectious diseases . We also encourage cooperation among those of us who jointly conduct cooperative projects with Africa, Southeast Asia, Latin America and the Caribbean by transferring our expertise in regard to surveillance, prevention, research, diagnosis, and treatment of these diseases. We will continue to work to ensure the availability of safe and effective treatments for these all-too-often fatal diseases.

We strongly support the efforts of the World Health Organization (WHO) to combat emerging and re-emerging infectious diseases, as well as the joint United-Nations Program on AIDS (UNAIDS) to coordinate international efforts to stem the global HIV/AIDS epidemic.

9. Drugs

Drugs represent a serious threat for our younger generations' future, our citizens' health and the integrity of our societies. We are determined to intensify our efforts in order to fight against any kind of drug trafficking and all forms of criminality in connection with it, including money laundering. We therefore urge all States to fully comply with their obligations under international conventions dealing with drugs abuse and illicit traffic in psychotropic substances, and are ready to strengthen our cooperation with all countries involved in this fight against drugs. We fully support the efforts exerted by the United Nations and we expect from the special session of the General Assembly dealing with this problem that it should help us to give more coherence and efficiency to the whole set of actions aiming at freeing the world from this scourge.

10. Transnational organized crime

In Halifax we asked an experts group to review how to counter the rapid development of transnational organized

crime, which is one of our main concerns. While not entirely new, this phenomenon threatens the nations, industrialized and developing countries.

Therefore we commit ourselves to :

- Mobilize our full resources and influence to combat this danger.

- Support and enhance existing institutions that deal with transnational organized crime, including the United Nations, Interpol, and World Customs Organization.

- Encourage all States to adhere to and fully implement existing conventions, treaties and arrangements dealing with transnational organized crime.

- Resist the enormous threat posed by narcotic traffickers, by implementing the UN conventions against drugs, and intensifying efforts to put traffickers behind bars and prevent them from laundering their money.

- Share information and expertise to detect, investigate and prosecute criminals.

- Increase operational cooperation among relevant agencies.

- Deny the use of our territories to transnational organized crime.

- Take all possible steps, particularly extradition, to bring fugitives to justice.

- Provide the broadest possible mutual legal assistance.

- Deprive criminals of their illicit profits by adopting appropriate legislation and implementing recommendations of the Financial Action Task Force (FATF).

- Adopt the necessary legislative and regulatory measures to combat corruption.

Consequently, with a view to achieving these goals :

We welcome the work of the Senior Experts Group on Transnational Organized Crime.

We endorse the 40 recommendations they have prepared.

We commend these recommendations to all States.

We ask the Senior Experts Group to ensure the active follow-up of the implementation of these recommendations and to report on their progress and developments in this field to the next Summit.

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II. Regional situations

1. We note with satisfaction the important contributions to peace, stability and prosperity which regional and inter-regional organizations and fora have made in all the regions of the world and firmly encourage them to pursue their task while respecting the integrity and the sovereignty of their Member States. We will continue supporting all efforts of these organizations and all inter-regional initiatives aimed at developing and reinforcing cooperation between the different regions of the world in the areas of political, economic and cultural matters.

In this connection, we take note of the OSCE's work on a common security model for further consideration at the Lisbon Summit and of continuing efforts to resolve peacefully disputes within the CIS. We welcome the intensification of intra-regional cooperation, particularly in Europe between the European Union and the States of Central and Eastern Europe, in the Americas within the Organization of American States and in the Asia-Pacific region through the move toward enlargement of ASEAN and within the ASEAN Regional Forum. We also commend recent initiatives aimed at renewing the transatlantic relationship between the EU and North America and at developing relations between EU and Russia, as well as the first Asian-European Meeting (ASEM) held in Bangkok this year. We welcome the development of the new partnership between EU and Mediterranean countries in the political, economic and human dimension fields.

2. We actively support the process of economic and political transition under way for over five years in Central and Eastern Europe. We welcome the progress accomplished by these countries toward the establishment of the rule of law and the establishment of a market economy. We welcome the prospect of enlargement of the EU to Central European countries and the Baltic States and encourage these and other States to take full advantage of the possibilities of integration offered to them. We support the efforts to develop good neighborly relations and we encourage the different initiatives that support stability in Southeastern Europe.

3. We welcome the enormous achievements attained in the Middle East peace process over the past several years. These include landmark agreements between Israel and the Palestinians, a peace treaty between Jordan and Israel, serious negotiations between Israel and Syria, and greater ties between Israel and her Arab neighbors. We also welcome increased economic cooperation in the region and trust that the Arab League will soon terminate its boycott of Israel. We are strongly committed to the full implementation of all agreements reached, and we will continue to provide our full support to those who take risks for peace.

The conclusion, on 28 September 1995, of the interim Israeli-Palestinian agreement on the Gaza Strip and West bank, as provided for in the 1993 Declaration of Principles, was a fundamental step forward in the Middle East Peace Process. We welcome the opening, on 5 May 1996, of the negotiations on permanent status. We look forward to the resumption of these negotiations.

We welcome the election of a Palestinian Council, and of its Executive Authority. We urge the Palestinian authority under its Head, Mr. Yassir Arafat, to promote the development of democratic institutions, the rule of law, transparency of public administration and respect for human rights.

We welcome all donors' efforts including the meeting in Paris on 9 January of the Conference on Economic Assistance which reaffirmed the international community's support for the Palestinian economy, and urge donors to fulfill pledges made. We recognize the importance of economic growth and prosperity to underpinning peace and note the need for increased regional economic cooperation and development. We welcome steps toward facilitating economic activities in the West Bank and Gaza. We welcome the steps taken by the Government of Israel to ease the closure in the West Bank and Gaza. Recognizing that Israel has legitimate security needs, we look forward to the complete lifting of the closure. We acknowledge the important contribution of multilateral negotiations in all their aspects to the peace process. We also welcome the establishment of economic institutions and facilities which have grown out of the multilateral working groups.

We take note of the significant deepening and broadening of peace between the Israeli and Jordanian peoples and the importance of helping to extend the material benefits of peace.

The Sharm el-Sheikh Summit, 13 March 1996, gave all the leaders of the world the opportunity to reaffirm their condemnation of terrorism and their desire to pursue a comprehensive peace, to support regional stability and to fight terrorism, whatever the motive and whoever the perpetrators. We urge the international community to continue to uphold the logic of the " peace-makers ". We believe that terrorist threats will also be curbed by the elimination of isolation and poverty, especially in the Palestinian territories, by the progressive restoration of confidence and by the

successful outcome of the peace negotiations.

We note the preeminence of the theme of security in Israel's recent election campaign. We are convinced that the security of all people of the region can eventually be achieved only through comprehensive, equitable and lasting peace.

The resumption of negotiations between Syria and Israel, at the end of December 1995, formed part of a peace dynamic which must be preserved. We are working to create a climate which will facilitate the resumption of the negotiations. We urge all the parties to resume their bilateral negotiations as soon as possible. We also invite Syria and Lebanon to join the on-going multilateral negotiations.

We urge all parties to adhere to the 26 April 1996 Understanding which restored calm along the Lebanese-Israeli border. We call upon the Consultative Group that will be assisting in the reconstruction needs of Lebanon to accelerate its work.

At a time when the Middle East Peace Process requires a renewed impetus, we urge all the parties to fulfill their obligations, including agreements already signed, and to continue their efforts in favour of a comprehensive peace on the basis of the Madrid process, the principle of land for peace and other principles enshrined in the relevant United Nations Security Council resolutions.

As we did last year, we call upon the Government of Iran to play a constructive role in regional and world affairs, and to desist from material and political support for extremist groups that are seeking to destroy the peace process in the Middle East and to destabilize the region. We further call upon the Iranian Government to reject terrorism and notably to desist from endorsing the continued threats to the life of Mr. Salman Rushdie and other people associated with his work. We call on all States to avoid any collaboration with Iran which might contribute to the acquisition of a nuclear weapons capability.

We reaffirm our determination to enforce full implementation of all UN Security Council resolutions concerning Iraq and Libya only full compliance with which could result in the lifting of all sanctions. We welcome the conclusion of the Memorandum of Understanding between the Government of Iraq and the Secretariat of the UN on the implementation of Security Council resolution 986.

4. We urge the Democratic People's Republic of Korea (DPRK) to develop the dialogue and cooperation with the Republic of Korea (ROK), this being the only means of achieving permanent peace on the Korean Peninsula and ensuring a more stable and more secure future for the Korean People. In this context, we support the initiatives take with a view to initiating a process aimed at achieving a permanent peace agreement on the Korean Peninsula to replace the current Armistice Agreement, including the proposal of the US and the Republic of Korea on 16 April 1996 to convene a four-part meeting. We welcome the efforts being made within the "Agreed Framework" of 21 October 1994, in re-orienting the DPRK nuclear program in order to comply with its obligations under the Non-Proliferation Treaty. We call upon the DPRK to meet in full its commitments under its safeguards agreement with the IAEA and to make full disclosure of the facts concerning the history of its nuclear program. We call on the international community to join us in providing political and financial support for the Korean Peninsula Energy Development Organization (KEDO).

Halifax Summit Follow-up

Review of UN reforms in the economic and social Fields

1. At the Halifax Summit, we decided to promote and deepen the United Nations reform process in the economic and social field. In order to strengthen the United Nations and make it more effective in carrying out Charter objectives, the Communique set out a number of objectives, which we have worked actively to achieve in

cooperation with the whole membership of the UN organizations. In this regard, we acknowledge with satisfaction that the principle of reform of UN economic and social institutions is now widely supported in all parts of the world, recognizing also that savings achieved through greater efficiency should be reinvested in appropriate programs.

2. The reform process is only just beginning but concrete results are already visible, notably where the impact of globalization of the world economy and budget constraints were felt most strongly. The following provides a non-comprehensive summary of achievements since the Halifax Summit. At the present time, no organs, specialized agencies, Funds or Programmes can claim to be bypassed by the reform process which is just as perceptible on the fringes of the system as at its core.

3. We will continue and reinforce our efforts to improve the functioning of the UN in the economic and social fields and its impact on development. We will continue to work in partnership with other members to complete processes underway, including Agenda for Development, and initiate further processes as required. In addition, the effective implementation of results achieved to date will be a priority.

Achievements

System wide

Negotiations on UN revitalization and strengthening in the economic and social fields reflect the general reform agenda. The recent agreement on the revision of resolution 48/162 is a welcome stage in the reform process and is a good omen for the finalization of the Agenda for Development. Numerous elements of progress can be identified:

> ECOSOC's important policy coordination role is recognized, and its work will be facilitated by a more active bureau. ECOSOC's substantive session will be shortened and measures will be taken to improve its preparation. Short periodic sessions close to the timing of the Bretton Woods Institutions Provisional Committee and Development Committee meetings will be held to improve high level debate and coordination.
>
> The mandates, compositions, functions and working methods of all the functional commissions of ECOSOC, the Committee for Programme and Coordination (CPC), the Committee for Development Planning (CDP) and the regional commissions are to be reviewed with a view to improving their effectiveness. The World Food Council has been discontinued and its functions absorbed by the World Food Programme and the Food and Agriculture Organization. The joint meetings of the Administrative Committee on Coordination and Committee for Programme and Coordination were deemed of limited value and will be discontinued. The discussions on the funding of operational activities will be transferred to the governing bodies of the Funds and Programmes concerned (UNDP, UNICEF, UNFPA, WFP).

The Secretary-General has set up an Efficiency Board chaired by the Under-Secretary-General for Administration, to advise him on the implementation of his programme to promote greater efficiency.

The Office of Internal Oversight Services has identified areas of overlap and duplication and made it possible to achieve substantial savings. Its capacity has been increased. The Office is currently seeking to extend its work to the Funds and Programmes.

At the initiative of the Secretary-General and under the direction of the Coordinator of Development Activities, three inter-agency task forces were set up, to work in the framework of the Administrative Coordinating Committee (ACC). These task forces will deal with the following themes: 1) creation of an environment suited to sustainable development (steered by the World Bank); 2) growth of job creation (steered by the ILO); 3) provision of basic

social services (steered by the UNFPA).

Budgeting

UN institutions have adopted budgets with a zero, or in some cases negative, growth rate in real terms. Maximizing the use of increasingly scarce resources, they ensured continuation of their development programmes (new activities are funded by reallocations). Agreement is now taking shape among most of these institutions on reducing overheads and improving the presentation of their budgets.

- **United Nations**: for the biennium 1996-97 a budget of US$ 2,608 million was adopted, which is significantly less than the final approved expenditures for 1994-95 and represents negative nominal growth. Expenditure and personnel reductions are envisaged.

- **FAO**: the programme-budget for the 1996-97 biennium has undergone considerable change (savings were made amounting to US$ 57 million) in order to make the organization more efficient while reducing operating costs. Savings were made, for the most part, thanks to efficiency gains and in non-technical units programmes.

- **WHO**: its budget increase is modest (2.5 %), well below the demands of its Secretariat (14%).

- **ILO**: in anticipation of the cuts announced for the 1996-97 biennium, additional savings (US$ 21 million) were made; the budget will be made more transparent.

- **IFAD**: 1996 is the third consecutive year of budget cuts in nominal and real terms and this has led the Organization to review its missions and internal operation.

- **WFP**: streamlining efforts are continuing (closure of 20 national offices that are no longer needed).

- **UNDP**: the 1996-97 biennium budget is down 11% in real terms compared to 1994-95; reductions in overhead costs are designed to protect its programmes. Decision procedures for programmes have been made more efficient.

Humanitarian relief

A Memorandum of Understanding (MOU) has been signed between the WFP and the UNHCR in order to coordinate their action programmes. Similar agreements were signed between UNICEF and the UNHCR and are under negotiation between UNICEF and the WFP. As requested at the 1995 ECOSOC substantive session, the DHA will submit a report at the next ECOSOC session on the capacities and performance of relevant UN emergency humanitarian relief agencies in order to improve their coordination.

UNCTAD

The outcome of UNCTAD IX lays a solid foundation for the reform of UNCTAD. UNCTAD's work was reorganized around key priorities (trade-investment and development issues - those in which UNCTAD has a comparative advantage over other international organizations). Its work programme focuses on assistance to the poorest countries to promote their integration into the world trading system, in addition to WTO action. A significant priority effort in the direction of the Least Developed Countries has been agreed. The intergovernmental machinery was scaled down and improved (a single annual session of the Trade and Development Council; the number of commissions was cut to three; specialization of experts groups; cutting to 55 the total number of meeting days). All this builds on improvements plans presented earlier by UNCTAD's Secretary-General that will reduce the

number of Secretariat divisions from 9 to 4 and improve cooperation and coordination with the WTO.

UNCTAD IX clarified UNCTAD's complementarity to WTO. Both organizations have agreed to improve their mutual coordination and cooperation (joint half-yearly meetings, improved working relations at all levels) so as to facilitate their work in the trade and development fields. Moreover, UNCTAD and UNIDO signed a joint communiqué intended to promote mutual cooperation on the basis of their existing mandates (yearly joint meetings, complementarity between programmes).

Specialized Agencies

- **FAO**: a review the Organization's priorities is underway, following approval of a reduced budget for the 1996/97 biennium.

- **UNESCO**: a strategy document was adopted to reorient over the next 6 years the programmes of the organization. An ad hoc working group was set up to assess operation of the General Conference.

- **WHO**: the Executive Board decided to review the WHO mandate; related reforms (e.g. revision of the organizational chart, efficient human resources management) are planned.

- **UNIDO**: Budget cuts and personnel reductions are underway. Staff has reduced by 17 per cent since Halifax (50 per cent since 1993). Several management levels have been abolished, the number of divisions cut from 8 to 6 and improved coordination was set up between departments. A recent external audit advocated further reforms (additional reductions in administrative personnel, better targeting of interventions, scaling-down of administrative procedures, abolition of certain social benefits, etc.) Moreover, UNIDO is close to an agreement intended to promote its cooperation with WTO.

Funds and Programmes

- **UNICEF**: the organization has completed its work on revising its mandate and is moving to adapt its administration.

- **WFP**: on 1 January 1996, the former governing body (Committee on Food Aid Policies and Programmes - CFA) was transformed into a downsized efficient Executive Board. The WFP launched a revision of its action programmes, in order to put an end to overlaps with other institutions.

- **UNEP** : UNEP is now revising its governing structure, with a view to ensuring greater political oversight.

- **UNDP** : the pivotal role ascribed to the UNDP in development operational activities within the United Nations system became a reality (e.g. the December 1995 agreement between the UNDP and the World Bank implementing joint development activities; the Special Initiative for Africa steered by the UNDP). The Executive Board reformed UNDP working methods with a view to improving effectiveness.

Regional Economic Commissions :

There are active review and prioritization exercises underway. ECOSOC will review the Regional Commissions with a view to improving their effectiveness.

- **ESCAP**: an external audit is in process to assess the impact of budget cuts on current programming. A

revision of all work programmes and of the Commission's structure is planned in 1996.

- **ECA**: the Executive Secretary plans to carry out an in-depth restructuring of the Commission which includes a 10-20% cut in posts and a radical change of the priorities of the action programme.

- **ECLAC**: the Commission has set up an intergovernmental committee to set clear priorities and determine strategic directions.

- **ECE**: a full review of the operation of the Commission and a rigorous choice of priority activities are in progress.

Agenda for Development

Part one (background and objectives) has been largely agreed. Negotiations on Part two (ways and means) and Part three (institutional adaptation) are in progress.

Annex II

LYON SUMMIT

ECONOMIC COMMUNIQUE

MAKING A SUCCESS OF GLOBALIZATION FOR THE BENEFIT OF ALL

LYON, 28 JUNE 1996

I. STRENGTHENING ECONOMIC AND MONETARY COOPERATION

II. PROMOTING STRONG AND MUTUALLY BENEFICIAL GROWTH OF TRADE AND INVESTMENT

III. ENHANCING OUR APPROACH TO EMPLOYMENT PROBLEMS

IV. IMPLEMENTING A NEW GLOBAL PARTNERSHIP FOR DEVELOPMENT: AN AMBITION FOR THE 21ST CENTURY

V. ENHANCING THE EFFECTIVENESS OF MULTILATERAL INSTITUTIONS FOR THE BENEFIT OF DEVELOPMENT

VI. PROVIDING THE NECESSARY MULTILATERAL SUPPORT FOR DEVELOPMENT

VII. TOWARD SUCCESSFUL INTEGRATION OF COUNTRIES IN TRANSITION INTO THE GLOBAL ECONOMY

PREAMBLE

1. We, the Heads of State and Government of seven major industrialized democracies and the President of the European Commission, have met in Lyon for our 22nd annual Summit. Our discussions have taken place within the framework of a reflection on benefits and challenges posed by increasing economic globalization.

2. Economic growth and progress in today's interdependent world is bound up with the process of globalization. Globalization provides great opportunities for the future, not only for our countries, but for all others too. Its many positive aspects include an unprecedented expansion of investment and trade; the opening up to international trade of the world's most populous regions and opportunities for more developing countries to improve their standards of living; the increasingly rapid dissemination of information, technological innovation and the proliferation of skilled jobs. These characteristics of globalization have led to a considerable expansion of wealth and prosperity in the world. Hence, we are convinced that the process of globalization is a source of hope for the future. History shows that rising living standards depend crucially on reaping the gains from trade, international investment and technical progress.

3. Globalization also poses challenges to societies and economies. Its benefits will not materialize unless countries adjust to increased competition. In the poorer countries, it may accentuate inequality and certain parts of the world could become marginalized. The adjustment needed is, however, imposing rapid and sometimes painful restructuring, whose effects, in some of our countries, can

temporarily exacerbate the employment situation. Globalization of the financial markets can generate new risks of instability, which requires all countries to pursue sound economic policies and structural reform.

4. Our countries have made a decisive contribution to the progress of liberalization and globalization. We must do our best to ensure that this process fully responds to the hopes it has aroused and that globalization serves the interest of people, their jobs and their quality of life. The potential benefits of the process for people must be translated into real opportunities in our own societies and in the poorer countries of the world. In an increasingly interdependent world we must all recognize that we have an interest in spreading the benefits of economic growth as widely as possible and in diminishing the risk either of excluding individuals or groups in our own economies or of excluding certain countries or regions from the benefits of globalization.

5. This requires increased international cooperation. The adaptation of our international institutional structures; liberalization of markets, fair rules and their extension to new players; the capacity to respond to crises of varying scale and nature, as well as a readiness to support the efforts of those countries striving to escape from the miseries of economic underdevelopment will be necessary for future progress. We call upon other countries with the financial capacity and a stake in the international trade and monetary system to join us in these efforts so as to share the responsibilities and the burdens fairly among ourselves and with others. We will thus be able to make a success of globalization for the benefit of all.

I. STRENGTHENING ECONOMIC AND MONETARY COOPERATION

6. Growing international economic interdependence unquestionably holds out new opportunities for the entire global community. At the same time, it adds to our collective responsibilities and the need for more effective cooperation among our countries to face new challenges.

7. Since we met in Halifax, economic developments have been on the whole positive and disparities of economic performance among us have been narrowing. Canada and United States continue to enjoy sustained non-inflationary growth. In Japan, the recovery is gathering strength. Some European countries, admittedly, experienced a slowdown, but economic fundamentals are improving and we are confident that growth will pick up in the second half of the year.

Looking ahead, the economic fundamentals remain sound and well oriented : inflation has settled at a low level, the interest rates have come down substantially, reaching historically low levels in some of our countries and external and internal imbalances have been substantially reduced. However, we recognize that some difficulties still lie ahead: public deficits and debt remain too large and national savings too low, unemployment is still unacceptably high in many countries and despite all the progress already achieved in the area of structural reforms, our economies are not yet as resilient and adaptable to changes as they should be.

Outside the G7 sphere, economic prospects also look very encouraging. Emerging economies are experiencing robust growth. Sound macroeconomic policies and progress toward market-based institutions have contributed to improving economic performance in many developing countries and countries in transition.

8. In this context, our economic policies will continue to be directed at sustaining non-inflationary growth. This is a vital prerequisite to the creation of jobs and bringing down unemployment. While recognizing that our individual circumstances may vary, we share a common commitment to a medium-term economic strategy : credible fiscal consolidation programs, successful anti-inflationary policies and as a consequence low interest rates, and strengthened structural reform. These should contribute to investment, growth and job creation. Such policies will contribute to reducing external imbalances, thereby promoting international monetary stability and maintaining the conditions for harmonious growth in global trade and business.

9. Sound economic policies are the most important foundation for preventing exchange rate misalignment that may heighten uncertainty in the global economy and be detrimental to trade and growth. We welcome the broad movements in the major currencies since April 1995. These are

positive and promising developments, and have helped to improve the conditions for sustained growth across the G7. We endorse the views of our Ministers of Finance on international monetary stability. We request our Ministers of Finance to continue to cooperate closely on economic policy and in the exchange markets. In this connection, we attach importance to the implementation of improved practical measures to deal with risks relating to the operation of the global financial markets and we request our Ministers to report to the next Summit on this issue.

10. The globalization of the financial markets has contributed to the creation of a more complex financial environment. Better prudential regulation and supervision in the financial markets are essential elements in preserving the stability of the international monetary and financial system. In this respect, we welcome the progress on the strengthening of capital standards, including the recent agreement on capital adequacy standards for banks' exposure to market risk, improved disclosure and enhanced surveillance.

11. Cooperation among regulatory and supervisory authorities should continue to adapt to financial innovations, and to the growth in cross-border capital movements and internationally-active financial institutions. We welcome the work accomplished by the international bodies concerned with banking and securities regulation. Over the year ahead, we should seek to make maximum progress on the following objectives :

- enhancing cooperation among the authorities responsible for the supervision of internationally-active financial institutions, importantly by clarifying their roles and responsibilities ;

- encouraging stronger risk management and improved transparency in the markets and connected activities, especially in the innovative markets ;

- encouraging the adoption of strong prudential standards in emerging economies and increasing cooperation with their supervisory authorities ; international financial institutions and bodies should increase their efforts to promote effective supervisory structures in these economies. We ask our Finance Ministers in consultation with the relevant institutions to report back on this issue at our next meeting ;

- studying the implications of the recent technological advances which make possible the creation of sophisticated methods for retail electronic payments and how to ensure their benefits are fully realized.

12. The increased integration of global capital markets, the changes in magnitude and composition of financial flows, and the increased diversity and number of creditors and borrowers present new opportunities and new challenges. That is why, in order to promote monetary stability, we proposed last year in Halifax a number of measures for the international financial system, notably the International Monetary Fund, to strengthen the ability to deal effectively with these challenges.

We welcome the work accomplished since the Halifax Summit toward the implementation of these proposals. The surveillance capacities of the IMF have been enhanced, standards for the provision of economic and financial information to the markets have been established and an emergency financing mechanism has been created. We welcome the G10 report on resolving the liquidity crises of sovereign borrowers. This report emphasizes the importance of market discipline, and calls for the enhancement of current procedures for handling international financial emergencies, in order to minimize the need for official support in the future.

13. Together with the international community as a whole, we undertake to ensure that the IMF has the resources needed to perform its tasks in the service of international monetary stability :

- We welcome the agreement reached on a framework for doubling the resources currently available to the IMF under the General Arrangements to Borrow in order to respond to financial emergencies. These arrangements will include a broader group of countries with the capacity to support the international monetary system. We welcome this sharing of monetary responsibilities, thereby adapting our cooperation to new economic circumstances ;

- The IMF should remain an institution based on quotas providing the resources necessary to accomplish its traditional tasks. Any quotas increase should take into account the changes in the economic and financial weight of its members. Given the prospective evolution of the Fund's liquidity, we request that the 11th quota review be completed as soon as possible.

14. Lastly, the IMF should continue to reflect on the role of Special Drawing Rights within the international monetary system. We continue to hope for progress on proposals that would permit all Member countries to participate on an equitable basis in the SDR system. We invite the IMF Member States to pursue their dialogue in order to settle this issue.

15. As we recognized last year, international financial fraud is a growing problem for our financial systems. In order to strengthen the fight against this phenomenon, we will continue to look for ways of facilitating, as much as possible, the exchange of information on cases involving serious financial crime and regulatory abuse between law enforcement agencies and regulatory bodies, in accordance with our own domestic legal systems and other basic principles. We intend to maintain our dialogue to review progress and developments in this field.

16. Finally, globalization is creating new challenges in the field of tax policy. Tax schemes aimed at attracting financial and other geographically mobile activities can create harmful tax competition between States, carrying risks of distorting trade and investment and could lead to the erosion of national tax bases. We strongly urge the OECD to vigorously pursue its work in this field, aimed at establishing a multilateral approach under which countries could operate individually and collectively to limit the extent of these practices. We will follow closely the progress on work by the OECD, which is due to produce a report by 1998. We will also follow closely the OECD's continuation of its important work on transfer pricing, where we warmly endorse the significant progress that the OECD has already achieved.

17. In order to face the challenges of economic and fiscal impact of aging populations, we remain committed to ensuring sustainability of our social security system.

II. PROMOTING STRONG AND MUTUALLY BENEFICIAL GROWTH OF TRADE AND INVESTMENT

18. Expanding trade and investment has led to marked increases in global wealth and prosperity and should continue to play this role in the future. Growth in trade and investment will be sustainable and therefore most beneficial to all if conducted within a strong multilateral framework of rules.

19. We give high priority to achieving a multilateral agreement on investment in the OECD that provides high standards of investment protection and liberalization, with effective dispute settlement. We look forward to the successful completion of these negotiations by June 1997.

20. We place a high priority on an efficient, dynamic, respected and open multilateral system. We reaffirm the central role of the WTO and the preeminence of multilateral rules, which should serve as the framework for regional initiative. We reaffirm our commitment to working to strengthen the confidence in and credibility of the multilateral trading system by avoiding taking trade and investment measures that would be in contradiction with WTO rules and OECD codes, and by using and complying with any applicable provisions for consultation and dispute settlement when differences arise. We emphasize that bilateral or regional free trade agreements should be trade liberalizing and should cover substantially all trade.

We will continue to monitor the strict implementation of commitments and precise compliance with timetables agreed at the end of the Uruguay Round. In accordance with the rules of the World Trade Organization and on the basis of significant liberalization commitments, we support the accession of new members to the WTO.

21. We recognize the importance of the integration of developing countries in the global trading system as an essential element of sustainable growth and development. We have agreed on ways to help developing countries, especially the least developed, to benefit more fully from the results of the Uruguay Round.

22. Together with our partners we will work for the success of the first ministerial conference of the WTO in December 1996. We will ensure full and effective implementation of the Uruguay Round results according to the agreed timetables. We are resolved to complete all ongoing negotiations in the service sector and to relaunch talks in Singapore on financial services so as to reach significant, balanced and non-discriminatory liberalization commitments by December 1997.

We strongly support the conclusion of a mutually beneficial Information Technology Agreement.

23. Global liberalization of trade and a high level of environmental protection should be mutually supportive. It will be important, for example, to ensure that WTO rules and multilateral environmental agreements and ecolabelling programs are complementary. The Singapore Ministerial Conference of the WTO will be an important opportunity to demonstrate the ability and willingness to integrate environmental protection and thus sustainable development concerns into the multilateral trading system. We welcome the ongoing work launched at Marrakech and look to the Singapore Ministerial Conference to make substantive recommendations for action.

24. In addition to pursuing full implementation of the Uruguay Round agreement, we invite the WTO Ministerial Conference to broaden its agenda to include topics of special importance for trade and investment liberalization, by :

- beginning an examination of trade and investment in the WTO and work towards a consensus which might include the possibility of negotiations ;

- discussing the interaction between trade and competition policy with a view to determining how to proceed ;

- exploring possible new industrial tariff initiatives in sectors to be agreed by consensus.

We also recognize that there is a will to address the question of the relationship between trade and internationally recognized core labour standards.

We also believe that there is more to be done in areas where other obstacles still seriously impede freer access to markets, in particular :

- by encouraging more convergence between national standards and international norms, by further regulatory reform and by mutual recognition of procedures for testing and for certification ;

- by enhancing the disciplines of and expanding the number of countries subscribing to the Agreement on Government Procurement and, in furtherance of this goal, by developing an interim arrangement on transparency, openness and due process in government procurement practices ;

- by effectively enforcing and further developing intellectual property disciplines.

25. In order to facilitate the free flow of trade, we will initiate an effort to further standardize and simplify customs procedures among our countries. Uniform documentation and electronic transmission standards would reduce costs for business and government, complement efforts in the WTO by eliminating barriers to trade and development, and so promote growth.

26. Lastly, we are resolved to combat corruption in international business transactions, which is detrimental to transparency and fairness and imposes heavy economic and political costs. In keeping with the commitment of OECD Ministers to criminalize such bribery in an effective and coordinated manner, we urge that the OECD further examine the modalities and appropriate international instruments to facilitate criminalization and consider proposals for action in 1997.

27. Looking ahead beyond the Singapore Ministerial Conference and recognizing that our next meeting will take place on the eve of the 50th anniversary of the founding of the multilateral trading system, we are committed to working together with our partners to give sustained impetus to trade liberalization.

III. ENHANCING OUR APPROACH TO EMPLOYMENT PROBLEMS

28. The development of a more global economy and advances in information technology are engines of economic growth and prosperity. But they also may be seen by some as a source of dislocation and insecurity. Our challenge is to ensure that our economies can adapt so that all our citizens can benefit from the opportunities created by the new global economy. We must achieve both economic growth and a widely shared prosperity. The reduction of unemployment and the creation of quality jobs are urgent priorities. We recognize the crucial role of the private sector for achieving these goals.

29. We seek to enhance the effectiveness of policies aimed at stimulating growth and jobs. This requires action in a wide range of structural policies, within a framework of sound macro-economic policies. We welcome the conclusions reached by the Ministerial Conference on Employment in Lille, and we have agreed to pursue the following policies :

- we reaffirm our belief that investment in people is as vital as investment in capital. We will therefore pay special attention to a sound basic education, skill formation and training, which is a lifelong undertaking, and to improving the transition from school to work ;

- we are determined to prevent and fight against social exclusion. We must define ways to reinforce people's employability throughout their working lives by facilitating the transition from one job to another ;

- we pledge to carry out practical reforms, consistent with the specific situation in each of our countries, aimed at achieving a high level of employment and widely-shared prosperity : these include tax and social system reforms to ensure that "work pays," particularly for the least well-off ; lowering social security charges which place a burden on low-skilled jobs, in countries with high indirect labour costs ; and improving public employment agencies ;

- in order to foster entrepreneurship we will modernize our regulatory frameworks where needed in the markets for goods and services, to enhance our economies' ability to respond to rapid change and to encourage job creation ; we welcome the work on regulatory reform by the OECD and look forward to its conclusions ;

- we will facilitate the dissemination, notably in the direction of small and medium-sized businesses, of new technologies, which are creating plentiful, quality jobs.

30. We thank the ILO and the OECD for the quality of their contributions to the Lille conference. We very much hope that these two organizations will continue their work especially on the interaction between macroeconomic policies and structural reforms, as well as on "best practice" in the fields of technology, innovation and investment in human capital in the best-performing businesses, and policies to enlarge employment opportunities for the most vulnerable workers of society.

31. We welcome the proposed meeting in Japan to reflect in greater depth on employment issues.

IV. IMPLEMENTING A NEW GLOBAL PARTNERSHIP FOR DEVELOPMENT: AN AMBITION FOR THE 21ST CENTURY

32. Thanks to sound domestic economic policies and to an increasingly global economy, many developing countries are experiencing robust growth, assisted by their expanding involvement in international trade and capital inflows. But there is a growing divide between these countries and those, mainly low income countries, which are currently unable to benefit from these opportunities and are falling further behind.

33. We need therefore to define a new global partnership between developing countries, developed countries and multilateral institutions. This will involve a fresh look at development policies including development aid, its content and the bilateral and multilateral instruments through which it is provided.

34. This new partnership should set its sights on enabling all developing countries, whatever their stage of development, to share and participate in the benefits of globalization. To that end, it should take the achievement of sustainable development as its fundamental objective. Goals should include the reduction of poverty and social inequities, the respect of internationally recognized labour standards, protection of children, a strengthened civil society, protection of the environment, improved health and education.

35. We want the partnership to achieve concrete results. We emphasize the usefulness of indicators capable of measuring progress toward development objectives in specific countries in areas such as extreme poverty, infant, child and maternal mortality, and primary education. Other essential aspects of development must also be considered, including a number of non-measurable qualitative factors. We welcome the ongoing work of the OECD on this subject.

36. The new development partnership should be mutually beneficial and based on a spirit of solidarity and burden-sharing among all those involved :

- the developing countries have a fundamental responsibility for promoting their own development. This means conducting sound and consistent economic and social policies, promoting a political and legal environment conducive to the development of the private sector, and encouraging domestic and foreign investment. Democracy, human rights and good governance are indispensable components of development. It is up to these countries to give priority to funding social and economic development programs and to avoid unproductive expenditures, in particular excessive military spending, without prejudice to their right to self-defence. It is in their interest to commit themselves actively to the multilateral system and to promote regional cooperation ;

- the developed countries must support the efforts of the developing countries in a spirit of common purpose and efficiency. Their growth and market-opening policies also benefit developing countries. In implementing these policies, they should seek to create an environment which encourages trade and private financial flows in the developing countries direction. Bilateral agreements for investment protection and generalized preference measures contribute to this objective. We renew our commitment to secure substantial flows of official aid and to improve the quality of this aid. The whole international community should be mobilized in this effort, and new donors should assume growing responsibility, so that the burden is more equally shared ;

- the multilateral development institutions, cooperating among each other and with bilateral donors, play an important role in promoting development and encouraging the developing countries to reduce poverty, to implement sound economic policies and to improve capacity. They must be provided with sufficient and appropriate financial resources for this purpose. Their strength depends on the active participation of all members. Efforts by the multilateral institutions to discourage unproductive expenditures in developing countries should be pursued and supported by donor countries in their own bilateral aid and credits.

37. Within the framework of this new partnership, the priority must be to implement more effectively-targeted policies, with four complementary objectives :

- external financial support should take into full account the differentiation between countries in transition, emerging economies and the poorest countries. Sub-Saharan Africa continues to face unusually severe challenges. We will concentrate resources on those countries that need them most and that can use them effectively, reflecting the fact that their policy program is credible and that their Government is fully committed to implement it. Grants and concessional financing should be directed primarily to meet the financial requirements of the poorest countries which have no or limited access to the international capital markets, once they can demonstrate their commitment to create the conditions to use them effectively ;

- giving more explicit priority to sustainable development and the alleviation of poverty. This should mean adequate ODA funding of essential sectors such as health and education, basic infrastructures, clean water schemes, environmental conservation, micro-enterprises, agricultural research and small-scale agriculture, with for example the help of IFAD ;

- we should support the establishment of a dynamic and competitive private sector in developing countries based on small and medium scale entreprises . ODA can play a catalytic role in creating the conditions in which such a private sector can flourish ;

- lastly, further integrating the Least and Less Developed Countries into the global economy, using the full range of policy instruments having an impact on development. Within the multilateral environment which has emerged from the Uruguay Round Agreement, this should be an essential objective. We will support the LLDCs' efforts to achieve such integration, for example, by responding favourably to requests for technical assistance in the fields of investment, privatisation and export diversification, and encouraging international organisations and programs to do likewise. We will implement the provisions of the Marrakech Decision on Measures in Favour of Least Developed Countries. In this context we will examine what each of us could do to improve their access to our markets and we encourage others to do the same, including other developing countries.

V. ENHANCING THE EFFECTIVENESS OF MULTILATERAL INSTITUTIONS FOR THE BENEFIT OF DEVELOPMENT

38. To be effective in supporting this global partnership for development, the multilateral institutions must pursue their efforts to adapt and reform. We welcome the widespread support for institutional reform that has arisen in the past year and we are determined to help increase this momentum.

39. In Halifax a year ago, we called for reforms of the international financial institutions in order to improve coordination, reduce overlap, and increase their effectiveness. Reform efforts have intensified over the past year. The reform of the Development Committee has made it possible for Ministers from developed and developing countries to consider issues together and provide guidance to the institutions. The World Bank and the IMF are cooperating more closely with tangible results, for example in their joint studies on debt and public spending. Collaboration among the heads of the multilateral development banks has been intensified. Operational and administrative reforms are underway and attention must be directed to effective implementation.

We commend the work undertaken by the Multilateral Development Banks to make procurement processes more transparent. We encourage efforts by all the multilateral institutions to support reforms that will help to promote good governance and to reduce corrupt commercial practices.

A sustained effort is needed in reforming the development banks to achieve better results on the ground, while reducing costs further. We endorse the recommendations of the Development Committee Task Force for closer cooperation between banks at all levels.

40. In Halifax, we committed ourselves to encourage the broadening and deepening of the reform process underway in the United Nations system. We believe that our initiatives have significantly contributed to an increasing awareness of necessary changes in the system as a prerequisite for improved efficiency, with a view to tangible benefits for recipients of the various development activities.

We particularly appreciate the outcome of the 9th session of UNCTAD at Midrand where we succeeded, together with all our partners, to pave the way for a thorough reform which can also be regarded as an important point of reference for the reform of the UN economic and social sector. We also deem significant the recent decision to strengthen the coordinating role of ECOSOC. We welcome the UN regional economic commissions initiatives to examine their activities, adjust priorities, restructure programs and reorganize their staff to increase efficiency and cost effectiveness.

We will work with other members to make rapid progress in the reform of the UN in order to rationalize and strengthen its role in development.

41. The United Nations plays a crucial role in the organization of international cooperation in favour of sustainable development, and in fostering consensus around development objectives and policies.

The UN's priority areas are, notably: reduction of poverty, employment, housing, the provision of essential services, and especially those relating to health and education, the advancement of women and protection of children, and humanitarian assistance in general.

The UN also has a fundamental role to play in promoting democracy, human rights and the rule of law, protection of the environment, emergency relief and post-conflict stabilization, and technical assistance to enable the poorest countries to participate in international trade and investment.

42. In order to be more effective in the field of development, the UN must clarify its role and comparative advantages. It must enhance the efficiency of its Secretariat and operational framework, make them more coherent and ensure genuine coordination at all levels. Proposals to that effect should focus on existing structures and build on ideas which have emerged in various discussions on UN reform.

43. Reform could center upon the following main points :

- the three Secretariat departments responsible for development should be merged under the authority of a single Under Secretary-General ;

- the Under Secretary-General should notably serve as Executive Secretary of ECOSOC in order to enhance the Council's policy formulation and coordinating role ;

- the Secretary-General, assisted by the Under Secretary-General and supported by the Head of the UN Office of Internal Oversight Services, in cooperation with the heads of agencies, should urgently review the roles and mandates of specialized agencies and commissions involved in development with a view to eliminating overlap and improving effectiveness. This review should include an examination of the case for merging their development functions. The Secretary-General should make recommendations in this sense and pursue their implementation through the Administrative Committee on Coordination and ECOSOC ;

- upon being appointed, the Under Secretary-General should support the process by conducting a review of existing UN development funds and programs in close consultation with the heads of relevant individual bodies. Where a strong case for rationalization can be made, funds and programs should be merged into the UNDP, which would thus be enhanced ;

- the Under Secretary-General should also carry forward the rationalization of UN's economic analysis and reporting in consultation with other organizations involved in economic analysis such as the IMF, the World Bank and the OECD, with a view to eliminating duplication ;

- UN field premises and administrative systems in the field should be further consolidated and the timetable for approval of UNDP, UNFPA and UNICEF country programs should be harmonized ;

- savings resulting from improved cost effectiveness should be reinvested in development programs. The Secretary-General should study ways of implementing this goal.

44. UNCTAD IX was a major milestone in the renewal of UNCTAD. In close partnership with the other member States, we succeeded in reforming UNCTAD's intergovernmental machinery and in refocusing its work on a small number of priorities to promote development through trade and investment with the aim of facilitating the integration of developing countries in the international trade system. We are committed to the implementation of these reforms. The LLDC's will be the major beneficiaries of this action. We also welcome the WTO and the renewed UNCTAD initiative to enhance mutual cooperation with each other, with due regard to their respective mandates.

45. We urge greater cooperation between UN agencies, the international financial institutions and the WTO :

- regular meetings between the United Nations Secretary General, the IMF Managing Director, the World Bank President and the WTO Director General, and at other levels, would assure the coordinated and concerted action of these institutions. This closer cooperation must take into account

the necessity for each institution to concentrate on areas of comparative advantage and to avoid unnecessary duplication ;

- UNDP, other UN agencies, the World Bank, the IMF, the WTO and regional development banks could work together, in full cooperation with the host country, in the preparation of country strategy reports submitted to their respective governing bodies. Regular meetings of donors in each country should be organized to facilitate the exchange of information and the shaping of programs according to the comparative advantages of each institution. Bilateral donors should be involved in this process. The resident United Nations co-ordinator or the World Bank or regional development bank representative could organize these meetings at regular intervals. Such meetings will help coordinate and rationalize the work of donors while reducing costs ;

- the non-military aspects of peace operations (including such tasks as democratization, police training, institution building, and delivery of humanitarian assistance) should be addressed through a comprehensive approach. In this regard, we encourage a closer cooperation between the United Nations, the International Financial Institutions and the relevant regional organizations, in order to facilitate the transition between the emergency intervention phase and the rehabilitation phase. Consultation among multilateral and bilateral donors in post-conflict countries should also be reinforced.

VI. PROVIDING THE NECESSARY MULTILATERAL SUPPORT FOR DEVELOPMENT

46. The replenishment of the concessional resources of the multilateral financial institutions must be completed. In this context, we stress the importance of sharing this burden equitably, we welcome the emergence of new donors and we encourage other countries to participate.

47. We welcome the fact that all donors have agreed to contribute to IDA-XI and the activation of the Interim Trust Fund. This agreement will enable the Association to lend up to USD 22 billion over three years. This is a major success. It is important that all donors ensure the success of IDA-XI by fully respecting their commitments on time.

48. We also welcome the replenishment of the resources of the African Development Fund, whose work is of vital importance for this continent, recognizing the reforms already made by the management of the Bank. Timely replenishment of the Asian Development Fund is also important.

49. We are committed to a continuing Enhanced Structural Adjustment Facility (ESAF) as the centerpiece of the International Monetary Fund support for the poorest countries, and we welcome the proposals of the Managing Director of the IMF for greater concessionality in ESAF lending for a limited number of poor and highly indebted countries, as the IMF's contribution to putting them in a sustainable position. We will examine constructively and positively the options for financing the needed subsidies, using primarily resources held by the IMF, without excluding bilateral contributions. If needed, the IMF should consider optimizing its reserves management in order to facilitate the financing of ESAF. This will enable the IMF to hold out to the poorest countries the prospect of macro-economic stability and structural reforms aimed at growth.

50. We welcome progress achieved in the alleviation of the debt problems and the active implementation, by the Paris Club, of the Naples terms. However, for some heavily indebted poor countries, we acknowledge the need for additional action, in particular to reduce debts owing to multilateral institutions and other bilateral creditors that are not members of the Paris Club. Following the proposals developed by the Bretton Woods Institutions, we look forward to a concrete solution being agreed by next Autumn at the latest on the following basis :

- the solution should provide an exit for unsustainable debt and be based on a case by case approach adapted to the specific situation of each country concerned, once it has shown its commitment to pursuing its economic adjustment ;

- the continuation of ESAF will provide the basis for a reduction in the burden of the debt to the IMF for these countries ;

- we welcome the proposal by World Bank management to commit 500 million $ to this initiative and substantial amounts for future years. We will support and work together for an overall World Bank contribution of the order of 2 billion $ for this initiative. We look to the World Bank together with the Regional Development Banks to develop practical funding mechanisms for treating debt owed to these institutions ;

- as concerns bilateral credits, we are committed to work, in conjunction with a maximum possible contribution by the World Bank and the IMF, to achieve financial viability and debt sustainability for all these countries which undertake the necessary adjustment efforts. We acknowledge Official Development Aid debt cancellation already given by some creditor countries. We urge the Paris Club creditor countries, where they deem appropriate, on a case by case basis, to go beyond the Naples terms for these countries. These efforts would include, on a voluntary basis, debt conversion schemes up to 20% instead of currently 10% of the stock of debts, and increased debt alleviation. In parallel, and on the basis of the same assessment, all other bilateral creditors are encouraged to make their own contributions to these countries in terms comparable.

VII. TOWARD SUCCESSFUL INTEGRATION OF COUNTRIES IN TRANSITION INTO THE GLOBAL ECONOMY

51. The end of the cold war has given a decisive impetus to globalization by offering former socialist economies the opportunity to assume their rightful place in the world economy.

52. We welcome the good economic results achieved by many countries in transition which have undertaken macro-economic stabilization and structural reform. Many countries, especially in Central Europe, have pursued resolute stabilization and structural reform programs and have achieved robust growth last year. Other countries which have not yet embraced reform fully lagged behind. Most of the countries of the former Soviet Union started reforms later than Central Europe, but many of them are poised to begin growing this year. We encourage all countries in transition to pursue their economic reforms in order to achieve or consolidate these gains. The EBRD plays an important role in supporting these reforms and we welcome the agreement to increase its capital.

53. We support Ukraine's efforts to continue with political and economic reforms and to further integrate into the world economy. In this respect we welcome the latest agreement with the IMF and encourage Ukraine to fully implement the agreed reform program.

We welcome the Moscow Summit declaration relating to Ukraine and the commitment of President KUCHMA to close reactor n° 1 at Chernobyl by the end of 1996, in the framework of the program to close the whole plant by the year 2000. We reaffirm our commitment to full implementation of the Memorandum concluded with Ukraine, through close cooperation with this country and the international financial institutions. In this regard, we welcome the financial decisions already taken by the international community, and we stress that all parties concerned must respect the agreed agenda of the comprehensive program.

54. We support Russia's ongoing political reform and its commitment to democracy. Economic and political reforms are mutually reinforcing and position Russia to play a more significant role in the global economy. We welcome the agreement between the Russian authorities and the IMF on an EFF. This agreement testifies to Russia's continued commitment to financial stabilization and economic reforms. Russia's economic success and its integration in the world economy depend on full implementation of its commitments. Crucial for economic recovery is now private investment which requires a reliable economic, legal and administrative environment. We welcome the historical agreement between Russia and the Paris Club on a comprehensive medium-term rescheduling of Russia's external debt, which will enable this country to exit from the rescheduling cycle. This agreement will enable discussions to take place between Russia and the members of the Paris Club to see whether conditions could be agreed for Russia's participation as a creditor.

NEXT SUMMIT

55. We have accepted the invitation of the President of the United States to meet in Denver next year./.

Annex III

G7 FINANCE MINISTERS REPORT TO THE HEADS OF STATE AND GOVERNMENT ON INTERNATIONAL MONETARY STABILITY

LYON, 28 June 1996

The dramatic increase in trade and capital flows in the world has deepened economic and financial integration among all countries, and it creates a more complex financial environment, with a greater diversity of capital flows, creditors and borrowers. This process of globalisation creates new opportunities but also challenges for our countries and the international community, especially with regard to our international monetary and financial system.

In this context, the Heads of State and Government concluded at the Halifax summit that : "Close consultation and effective cooperation on macroeconomic policies among the G7 are important elements in promoting sustained non-inflationary growth avoiding the emergence of large external imbalances, and promoting greater exchange market stability", that "we have a shared interest in ensuring the international community remains able to manage the risks inherent in the growth of private capital flows, the increased integration of domestic capital markets, and the accelerating pace of financial innovation" and that "closer international cooperation in the regulation and supervision of financial institutions and markets is essential to safeguard the financial system and prevent an erosion of prudential standards."

In our discussions in Halifax last year we concluded, more specifically, that :

- the most important foundation for exchange rate stability is the maintainance of sound macroeconomic policies aimed at achieving sustained non-inflationary growth and avoiding the emergence of large external or internal imbalances ;

- flexibility in exchange rates of the major currencies is a basic feature of the system because unanticipated events occur, economic fundamentals change, and national financial and economic developments are sufficiently different that they require that policies be able to respond to them ;

- exchange market intervention can be effective and even decisive in specific circumstances, but those circumstances are difficult to determine in advance ;

- there is no effective regulatory structure or tax mechanism that will produce greater exchange rate stability without major costs in terms of other economic objectives.

These conclusions remain valid today.

Our overriding objective is to promote sustained non-inflationary growth. In this context, the G7 can best promote greater stability in exchange markets through the pursuit of appropriate macroeconomic policies along with close cooperation in the exchange markets where appropriate.

For the past two decades, the international monetary system has been based on a flexible exchange rate system among major currencies. There are circumstances when it is appropriate to allow exchange rates among major currencies to fluctuate rather than to adjust monetary and fiscal policies in a manner inconsistent with the needs of the economy.

Experience since 1973 suggests that major exchange rate adjustments have been caused by clearly identifiable changes or distortions in the underlying economic fundamentals or in macroeconomic policies. Efforts to preserve an exchange rate that is inconsistent with underlying fundamentals are likely to introduce distortions to and constraints on central instruments of economic management. At the same time, financial authorities cannot be indifferent to exchange rate fluctuations that do not appear justified on the basis of macro-economic policies or fundamentals and as a consequence could adversely affect output or prices. There are circumstances where close cooperation in exchange markets can reinforce sound economic

policies and enhance stability in exchange markets.

The G7 has an important responsibility in promoting an effective and stable monetary system by advancing policies that will strengthen our capacity to manage risk and prevent crises and improve our ability to respond to such events when they occur. Towards this objective, we have adopted a number of initiatives over the past several years and improvements were initiated at Halifax. This paper reviews the main initiatives, and proposes, where appropriate, further improvements.

More effective macro-economic surveillance in the G7 meetings

It is important to pursue sound domestic economic policies aimed at achieving sustained non-inflationary growth and at avoiding the emergence of excessive external imbalances. Such policies are also a necessary condition for more exchange rate stability and for avoiding -or reducing- exchange rate misalignment. The dramatic deepening in economic integration increases the need for sound economic policies but also the potential gains from cooperation on macro-economic policies. The G7 surveillance process provides a framework for identifying and formulating appropriate responses to risks for our economies and for the stability of the international financial and monetary system.

- Surveillance has been improved by the G7 in the past years, and some encouraging results have been reached in this informal framework :

- we have already achieved some important progress in articulating common economic policy objectives : we have agreed on the critical importance of reducing inflation and have made great progress to this end ; we agreed on the medium-term strategy for fiscal consolidation, which we will continue to pursue vigorously to increase national savings, and to reduce external imbalances. Increased convergence should improve the outlook for sustained exchange rate stability and low long-term interest rates in our countries ;

- In the aftermath of the Mexican crisis, G7 have encouraged an important enhancement of IMF surveillance, which is being implemented (see below).

- We have adopted a number of steps to improve the effectiveness of the G7 surveillance process. Building on these improvements, we would support the following additional steps :

- concentrate the discussion on potential risks to the outlook in the G7 and the appropriate policy response to those challenges. More attention could also be paid to medium-term economic and structural issues ;

- focus more attention on potential risks outside the G7 that could affect the international monetary and financial system, based in part on a presentation by the IMF Managing Director ;

- strengthen cooperation at the Deputies level in preparation for Ministerial meetings with appropriate involvement of central bank deputies and the IMF staff.

- Continuing G7 close cooperation in exchange markets

Exchange rate misalignments can heighten uncertainty in the global economy and can be detrimental to growth and trade. When exchange rates appear to move out of line with underlying fundamentals, close monitoring is necessary and coordinated responses may be required.

- The "orderly reversal" in key exchange rates since April 1995 is a positive and promising development. Several factors lie behind it. Most important were changes in economic policies and fundamentals, but the signals given to the markets by the G7 in 1995, through communiqués and -under appropriate circumstances- concerted intervention, were helpful in providing impetus to bringing exchange rates better in line with fundamental trends.

- We should continue our close cooperation in exchange markets on this foundation, taking into account the fact that :

- a clear and consistent articulation of a common G7 view can have a stabilizing influence and

help reinforce the credibility of our commitment to cooperate in the exchange market when circumstances warrant ;

- interventions can be effective in certain circumstances, especially when they reinforce changes in policies and/or underlying fundamentals that lead to changes in market expectations about future exchange rates ;

- the instrument of intervention must be used judiciously given its implications for monetary policy and the amount that the authorities can mobilize relative to the size of international capital markets. Nevertheless, these factors do not impede our joint ability to send a clear message to the markets, if and when appropriate ;

- interventions are more likely to be effective when they are concerted and reflect a common assessment ;

- an important condition for success is the appropriate timing of intervention.

- Better prudential safeguards in international financial markets

The globalisation of financial markets and the substantial increase in cross-border capital flows have created a more complex financial environment. Comprehensive and effective financial regulation, market-reinforced prudential supervision and enhanced international cooperation among regulators are among the keystones for maintaining stability of the international financial and monetary system.

- Industrial countries have been cooperating in the development of prudential frameworks for many years. The BIS/Basle Committees have taken important steps to develop international standards for prudential supervision of banks and to strengthen payments and settlements systems which link international markets. IOSCO has undertaken similar work for prudential regulation of securities firms and markets. In recent years, banking and securities regulators have increased their contacts at the international level to address supervisory concerns that cut across markets.

- We recognise the substantial recent and ongoing cooperative work between the Basle and IOSCO Committees on derivatives to promote improved risk management, a common reporting framework and improved disclosure practices ;

- We welcome the publication in December 1995 of the Basle Committee capital adequacy standards for bank's exposure to market risk, which will be a very useful complement to existing prudential ratios.

- Nevertheless, the changes in the structure of global finance and the emergence of new participants and markets require the supervisory response, including international cooperation, to evolve continually. We welcome the Basle and IOSCO Committees' reports on prudential regulation and supervisory cooperation. These reports should pave the way for continuing progress on current initiatives and expanding efforts in the following directions :

- Enhance cooperation across markets to strengthen supervision of financial institutions. In this context, we welcome the joint efforts of the Basle and IOSCO Committees to enhance their collaborative arrangements and the work of the Joint Forum of banks, securities and insurance supervisors. Suitable arrangements should be established within which that cooperation can be better organised. It would be useful to clarify the role and responsibilities of the relevant supervisors to foster an appropriate degree of cooperation in the supervision of internationally-active financial institutions, and to establish a more comprehensive network of bilateral arrangements between authorities.

- Strengthen prudential standards in, and supervisory cooperation with, emerging markets. Effective prudential regulation and supervision must cover all important financial marketplaces, particularly those which are experiencing high growth rates and/or substantial capital flows. The Basle and IOSCO Committees are performing work in this area which reinforces bilateral and regional efforts underway. Because emerging markets are growing in significance, these Committees, and other appropriate fora should be encouraged to strengthen their outreach to and cooperation with emerging market supervisors in order

to promote high prudential standards. The International Financial Institutions should give more attention to promoting effective regulatory and supervisory structures in emerging markets ;

· Encourage private sector efforts to enhance market transparency. Notwithstanding past or future regulatory activities, primary responsibility for risk management rests with market participants. Regulators should encourage -and where necessary exert pressure to induce- private sector efforts to enhance market transparency in order to strengthen market forces' capacity for sound and responsible risk taking and control ;

· Improve reporting and disclosure of derivatives activities. Effective monitoring of derivatives activities is crucial, and requires closer cooperation among supervisors. In this regard, we welcome the global market survey conducted in the spring of 1995 by the BIS, and the follow-up action which is being planned. We also look forward to the conclusion this year of a joint Basle/IOSCO approach to reporting standards for derivatives exposure and to further progress in improving derivatives disclosure practices ;

· Enhance cooperation among exchanges. We look forward to implementation of the recommendations in the Windsor Declaration for increasing cooperation among futures exchanges and regulators. We also note with approval the development of information sharing arrangements among securities exchanges and welcome conclusion of an information sharing arrangement among major futures exchanges and relevant regulatory authorities. We also look forward to the IOSCO study of methods to identify large firm exposures that may have an effect on the market and to protect market participants from potential defaults by firms.

· Strengthening of our collective ability to respond to financial crises

The increased integration of global capital markets, the change in magnitude and composition of capital flows, and the increase in the diversity and number of creditors and borrowers present new opportunities and challenges to the financial system. At Halifax, Heads proposed a range of initiatives to strengthen the global financial system, with particular attention to the IMF's role. We strongly welcome their implementation :

· Improvement of the early warning system is being implemented : the IMF's surveillance capabilities have been enhanced ; the IMF has established standards for timely publication of economic and financial data, and subscription on a voluntary basis is underway.

· In order to better respond to crises, an emergency financing mechanism, aiming at faster procedures, has been set up in the IMF ;

· We welcome the agreement in principle reached on a doubling of the resources currently available to the IMF under the General Arrangements to Borrow. These arrangements will include a broader group of countries with the capacity to support the international monetary system. We welcome this sharing of monetary responsibilities, thereby adapting our cooperation to new economic circumstances ;

· We welcome the report of the G-10 Working Party on the Resolution of Sovereign Liquidity Crises ;

· We fully support the ongoing 11th review of IMF quotas to ensure that the IMF continues to have sufficient resources to meet its ongoing responsibilities. We believe it is important for the IMF to remain a quota based institution with the resources necessary to fulfill its important role in the global financial system.

Annex IV

LYON SUMMIT

DECISIONS CONCERNING BOSNIA AND HERZEGOVINA

Lyon, 29 juin 1996

We confirm our support for the Peace Agreement and the establishment of a democratic and pluralistic State of Bosnia and Herzegovina, composed of two Entities.

The prime responsibility for implementing the Peace Agreement lies with the different communities and their leaders. Without compliance and active participation in rebuilding a civil society, they cannot expect that the international community and major donor countries shoulder the main burden of the implementation and reconstruction effort.

Endorsing the conclusions adopted at the Peace Implementation Conference in Florence, we have taken the following decisions :

1. Elections and Institutions

- We shall contribute substantially to the preparation of the elections scheduled by the OSCE on 14 September 1996. To this end, we are increasing our assistance to the OSCE, inter alia by contributing to the deployment of 2,000 observers and the development of independent media.

- The Parties too must play their part and implement the full range of their commitments, including freedom of movement and association, free access for all the candidates to the media and effective arrangements for refugees and displaced persons to exercise their right to vote.

- We recall that according to its resolution 1022, the UN Security Council will terminate the sanctions regime on the tenth day following the occurrence of the first free and fair elections.
- We ask that IFOR's support for the election process be reinforced, including by creating a safe and secure environment, providing logistic assistance and concentrating IFOR's resources where necessary.
- We support the High Representative in his work of preparation with the Parties of the establishment of the new institutions : the collective Presidency, the Council of Ministers, the Parliament, the Constitutional Court and the Central Bank. We shall provide the future authorities with the necessary constitutional and legal assistance. We recommend that the duration of the first term of the institutions of Bosnia and Herzegovina and the Entities be harmonized, by agreement within all the institutions concerned.

2. International War Crimes Tribunal

- All States and Entities have an obligation under the Peace Agreement to cooperate fully with the Tribunal by taking action to arrest indicted persons. All persons indicted by the International Criminal Tribunal for the Former Yugoslavia should appear before the Tribunal in The Hague for trial.

- The presence in public office of indicted war criminals or any attempt by them to seek elective office are open violations of the Peace Agreement. We insist that Mr. Karadzic step down immediately and permanently from all public functions and take no part in governmental decisions. He should transfer all his powers completely to new leadership in the way provided for in the Constitution of Republika Srpska. New leadership of Republika Srpska should demonstrate their willingness to cooperate with the

international community in implementing the Peace Agreement. This would enable the assistance available under it to flow to Republika Srpska.

- Recalling UN Security Council Resolution 1022, including the provisions on sanctions, we support the High Representative and the Commander of IFOR and will, as necessary, act following their recommendations. We are ready to consider the application of sanctions instruments to any Partie to the Peace Agreement.

- Consistent with this obligation of the Parties to cooperate with the International War Crimes Tribunal, we urge them all to implement a broadly based amnesty law.

3. Consolidation Plan

- Noting France's proposal for a 2-year plan of consolidation of the peace process, we endorse the request made by the Peace Implementation Council in Florence on the 14th of June for its Steering Board to elaborate an action agenda stating the aims, the means and the timeframe of this plan for civilian consolidation.

4. Reconstruction

- Economic reconstruction is vital to lasting peace. We call upon all donors to accelerate payment of their pledges for 1996 and to make every effort to disburse at least 50 % of 1996 pledges by December 1996 and 100 % by June 1997. - Economic assistance should be provided to all Parties in Bosnia and Herzegovina depending upon their compliance with the peace process. After the successful holding of elections on September 14, it will be possible to take a decision on the holding of a further Donor Conference.

- We support projects which encourage cooperation and reconciliation. We call on the Parties to develop common economic structures and policies, including a Central Bank and new currency, a common customs policy, a unified payments system, the appropriate distribution of revenues among the State, the Entities and the Cantons.

- In this context, we look forward to the IMF engaging Bosnia and Herzegovina with the aim of reaching agreement on an economic stabilization and reform program.

- We confirm our full support for the High Representative in the exercising of his coordination role.

- We insist that high priority be given to mine-clearing operations, housing for refugees and job creation projects.

5. Refugees and the rule of law

- We demand that the Parties ensure that refugees and displaced persons can return freely and in safety. The early return of refugees will help accelerate the economic recovery of Bosnia and Herzegovina.

- We support the efforts of the UNHCR, including its plan for the return of refugees. The implementation of this plan implies the increase of voluntary contributions.

- IFOR will have to exercise continued vigilance with regard to freedom of movement.

- Reconstruction program should encourage the return of refugees. We recommend giving priority to 19

target areas in 8 regions of Bosnia and Herzegovina and thereby facilitating the return of 185,000 people by the end of this year.

- The question of property rights must be settled rapidly.

- In order to strengthen the rule of law, we are prepared to provide technical legal assistance. We shall ensure that the means available to the International Police Task Force and its effectiveness be increased

6. Regional and Security Issues

- We stress the need to observe the timetable set by the Arms control Agreement signed in Florence on June 14. We shall provide the OSCE with the means to verify the Arms Control Agreement, and closely monitor its implementation.

- More rapid progress must be made to resolve the question of Brcko, beginning with the early agreement by the Parties on a third arbitrator. We urge the Parties to achieve a solution as soon as possible.

- We support initiatives to promote stability, good neighborliness and economic development in South-eastern Europe.

- We ask for the acceleration of the Working Groups' work on national and ethnic communities and minorities, and on questions of succession, and we call upon the States concerned to cooperate fully with them.

7. These decisions should be implemented within the framework of the structures put in place by the Peace Agreement.

Annex V

G7 - Lyon Summit

Declaration on Terrorism

Lyon, 27 June 1996

In the aftermath of the cowardly attack on Dhahran, which took the life of a large number of American citizens and injured hundreds of innocent people, we, the Member Countries of the G7, condemn this barbarous and unjustifiable act and express our wholehearted solidarity with the United States and Saudi Arabia in their terrible ordeal. We pay tribute to the memory of the victims and convey our deepest sympathy to their families, as well as to the American and Saudi peoples. We also condemn other recent terrorist outrages.

These tragedies strengthen us in our conviction that terrorism is a major challenge to all our societies and States today. We reaffirm our absolute condemnation of terrorism in all its forms and manifestations, regardless of its perpetrators or motives. Terrorism is a heinous crime, and there must be no excuse or exception in bringing its perpetrators to justice.

We proclaim our common resolve to unite our efforts and our determination to fight terrorism by all legal means. In keeping with the guidelines for action adopted by the Eight in Ottawa, we strongly urge all States to deny all support to terrorists. We rededicate ourselves and invite others to associate our efforts in order to thwart the activities of terrorists and their supporters, including fund-raising, the planning of terrorist acts, procurement of weapons, calling for violence, and incitements to commit terrorist acts. Special attention should be paid to the threat of utilisation of nuclear biological and chemical materials, as well as toxic substances, for terrorist purposes.

We consider the fight against terrorism to be our absolute priority, and reiterate the necessity for all States to adhere to the relevant international conventions. When implemented, many of the recommendations the Eight will be considering tomorrow to deal with crime will better equip our law enforcement authorities to work together to combat terrorism. And we are resolved to do more: to examine and implement, in cooperation with all States, all measures liable to strengthen the capacity of the international community to defeat terrorism. To that end, we have decided that a ministerial meeting to consider and recommend further actions will be held in Paris, as early as the month of July./.